

# The Impact of COVID-19 Pandemic on Different Sectors of the Indian Economy: A Descriptive Study

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## ABSTRACT

The outbreak of the Covid-19 pandemic unprecedented shock to the Indian Economy with the prolonged country - wide lockdown, global economic downturn and associated disruption of demand and supply chains, the economy is likely to face a extended period of slowdown. Even before the pandemic, the Indian economy was marked by a slowdown of economic growth. Thus, India's capacity to deal with a new crisis was weak when the pandemic hit in March 2020. All the sectors were affected in the economy. In agriculture, farmers were faced with broken supply chains, poor demand and falling output prices. In industry, micro and small enterprises were the most intensely affected. The crisis led to a loss of unemployment to the tune of at least 15 million. India's GDP growth rate in 2020-21 may range from - 4.3% to 15% . Due to widespread of Covid 19 cases, the Indian government has lockdown the country for quite 60 days which adversely affected commercial activities and the Indian economy. It also hinders international trade which in turn stops the import - export of raw materials. The purpose of the research is to investigate the key areas where the pandemic made its economic influence.

**Keywords:** Covid -19, Indian Economy, Supply Chains, Unemployment, International Trade

## 1.INTRODUCTION

The economic impact of the COVID-19 pandemic in India is largely disruptive. The growth of the economy has slowed down due to shutdown of different productions channels. Reverse migration of workforce and consequent shortage of labour, resulted in further deceleration of economic growth. While COVID 19 pandemic has thrown several challenges on Indian economy, agriculture sector has shown resilience through the crisis. From April to June 2020, India's GDP dropped by a massive 24.4%. According to the latest national income estimates, in the second quarter of the 2020/21 financial year (July to September 2020), the economy contracted by a further 7.4%. The recovery in the third and fourth quarters (October 2020 to March 2021) was still weak, with GDP rising 0.5% and 1.6%, respectively. This means that the overall rate of contraction in India was (in real terms) 7.3% for the whole 2020/21 financial year.

## 2.Review of Literature

i).Gurpreet Singh Sidhu et al ( 2020) studied the economic impact of Covid -19 Pandemic in India. This paper described that the pandemic is not only taking a toll out of healthcare systems and peoples' lives but also its impacting world economies and resulting business disruptions.

ii).R. Ramkumar and Tejal Kanltkar (2021) described that the India's capacity to deal with Covid- 19 pandemic was weak. The government's economic response till October 2020 was seriously deficient on demand side interventions.

iii). Mehta and Arjun (2020) described that a huge number of workers of the informal sector was mostly affected. These workers belong to five sectors of the economy. These sectors are (i) manufacturing; (ii) trade, hotel and restaurant; (iii) construction; (iv) transport, storage and communications; and (v) finance, business and real estate .

## 3.Objectives

i) To analyse and understand the impact of Covid -19 on the Indian economy.

ii) To analyse and understand the impact of Covid -19 on various sectors.

iii).To analyse the policy recommendations during Covid -19 pandemic

#### 4.METHODOLOGY

To understand the macro level impact of Covid -19, we have taken study reports and survey reports published by various agencies like FICCI and CARE ratings for detailed study. Along with that, we have also studied some news articles, research articles and research papers.

#### 5.Impact of Covid -19 on Indian Economy

The economic impact of the Covid-19 pandemic in India has been largely disruptive. India's growth in the fourth quarter of the fiscal year 2020 went down to 3.1% according to the Ministry of Statistics. Over the past few quarters, the Indian economy has been experiencing a significant slowdown. Since quarter 4 of the financial year 2018, the quarterly GDP growth has fallen. Due to increasing cases of coronavirus, the government has lockdown the country for quite 60 days which has adversely affected service sectors like restaurants, banks, food deliproviders etc. Apart from this service sector, the MSME sector, the manufacturing sector and aviation sector have been affected significantly. The impact of covid-19 across different sectors have been discussed below:

- **Micro Small and Medium Enterprises (MSME)**

As per various studies, MSME is second largest employment generating sector after agriculture. It provides 80 percent of jobs in industry and contributes around 31 percent of nation's GDP but due to impact of Covid-19, many micro, small and medium enterprises have temporarily shut their business activities. A survey conducted by Endurance International Group drawn responses from close to 500 Indian micro,small and medium enterprises in the first two weeks of June. One third of the respondents confirmed that they are shutting their business until normalacy resumes. Lockdown and other precautionary measures introduced to contain the spread Covid-19 have severely affected all types of enterprises, but those restrictions have severe impacts on MSME than on larger firms .

- **Banking and finance**

The demand for all types of loans (home loans, consumer loans, working capital financing etc.) has shrunk drastically. Even in a low-interest rate situation for loans, the banks are finding it difficult to get customers. As a result, the banks are under pressure and the situation may prevail for a few quarters. There is also a risk of getting corporate as defaulters (Nifty50Stocks, 2020).

- **Agriculture**

The COVID-19 pandemic had a significant impact on agriculture and rural activities in India. Initially, the lockdown disrupted the entire agriculture value chain, affecting production, processing, and marketing of agricultural products .The Covid-19 pandemic has adversely affected the agricultural sector since the farmers had faced a lot of difficulties in every aspect of farming involving production process such as purchase of inputs due to delays in transport and logistics services especially at ports causing smallholders to suffer farm losses.Agriculture and Allied Sectors registered a growth of 3.4% during 2020-21 even as the overall economic growth declined by -7.2% during the same period.

- **Tourism**

Tourism is one of the significant resources to generate foreign revenue for India. COVID-19 pandemic era, have affected the tourism sector negatively.The COVID-19 induced lockdown had resulted in closure of hotels; resorts etc., as well as ships, cruises, flights had been halted to check the spread of the COVID-19 pandemic which has resulted in revenue loss of 1.25 trillion rupees for the Indian tourism industry by 2020.

India has significant prospective for travel and tourism ranging from cruises, adventure, medical, wellness, sports, eco- tourism, film, rural tourism. As it diversified portfolio of tourism products, India is among the popular destination for domestic and international travellers.

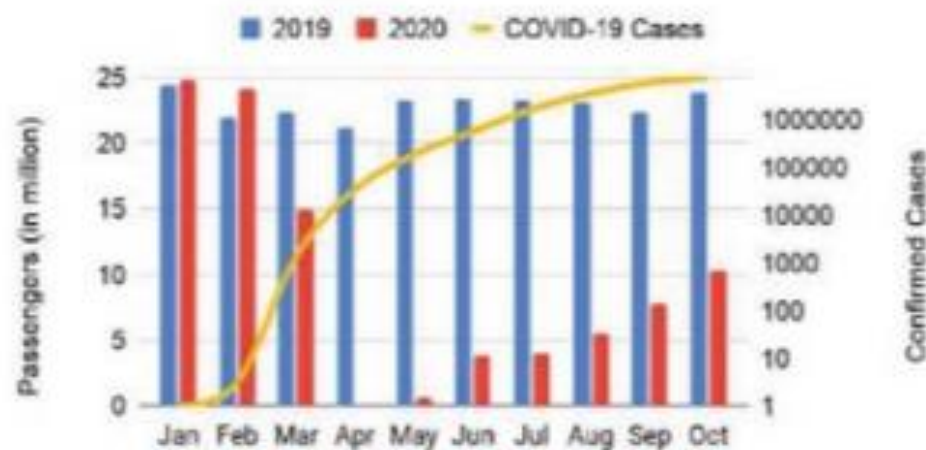
- **Aviation**

The aviation industry, known for its susceptibility to external disruptions, has faced significant challenges from events like oil crises, pandemics, terrorism, and shifts in international regulations. In India, which has the world's fifth-largest aviation market with a total of 341.05 million passengers as of FY20, the domestic segment alone accounted for 274.50 million passengers. Previous pandemics like the 2003 SARS outbreak impacted economies such as China, Vietnam, Singapore, and Canada but did not disrupt the Indian economy as severely as COVID-19 did.

The domestic aviation sector in India encountered extraordinary difficulties due to a nationwide lockdown and a total halt of commercial flights from March 23 to May 25, 2020. As a result, the country's

GDP fell by 23.9% year-over-year (YoY) in Q1 FY20, with the travel sector seeing a 47% decline. Since the domestic aviation industry comprises around 80% of India's overall aviation market by passenger volume, this downturn greatly influenced GDP contraction. The Directorate General of Civil Aviation (DGCA) recorded a 43.4% drop in domestic air passenger traffic from January to May 2020 compared to the previous year. Leading airline IndiGo posted its largest-ever quarterly loss of ₹28.44 billion in Q1 2020. Globally, the International Air Transport Association (IATA) projected airline passenger revenues would decline by \$314 billion, or 55%, in 2020 relative to 2019.

The Indian aviation industry's high fixed costs, comprising about 35-40% of total expenses—including lease rentals, employee salaries, and interest—were further strained as suspended airline operations resulted in daily losses of ₹750-₹900 million. In addition, stock price trends from top airlines, such as IndiGo (holding a 49.5% market share), SpiceJet (16.1%), and Air India (11.6%), reflected the pandemic's toll. Consequently, India's aviation sector, which typically contributes roughly \$72 billion, or 4% of the GDP, saw significant reductions amid the pandemic's impact.



**Fig 1:** Monthly domestic air passenger traffic in 2019 and 2020 along with confirmed COVID-19 cases in India (Data Source: DGCA)

#### • Pharmaceuticals

The COVID-19 pandemic has significantly impacted the Indian economy, affecting various sectors with decreased sales and financial losses. Among these, India's pharmaceutical industry stands out due to its critical role in medicine, surgery, and economic growth through employment and export revenues. During the pandemic, this sector was essential in developing treatments, diagnostic tests, and vaccines to bolster immunity, as well as in providing tools to aid healthcare workers globally. India's ability to produce affordable generic medicines, crucial for treating numerous ailments, has saved millions of lives worldwide. Additionally, the industry quickly adapted to meet the heightened demand for COVID-19-related and other essential medications, showcasing its resilience and adaptability in response to a global health crisis.

The Indian pharmaceutical industry, one of the best globally, plays a vital role in supporting world health infrastructure and assists healthcare industries across nearly every country. Ranking first in pharmaceutical production, India's pharma industry was instrumental during the COVID-19 pandemic, contributing to 60% of the world's vaccines for tetanus, diphtheria, and pertussis, meeting demands from entities like WHO, MHRA, and the FDA. India has over 250 approved manufacturing facilities, whose products are exported worldwide. The active pharmaceutical ingredient (API) sector alone was anticipated to generate \$6 billion by 2021. However, the pandemic has disrupted both imports and exports, temporarily affecting medical device prices and revealing broader vulnerabilities. The Indian government responded by investing INR 10,000 crore in API production, previously sourced heavily from China, to mitigate supply chain risks. Despite a spike in demand for medicines, raw material shortages and limited labor due to lockdowns created bottlenecks that impacted production and distribution, ultimately reducing revenues by 10.15%. The pandemic also shifted healthcare practices globally, with India seeing unprecedented growth in telehealth, AI-driven analytics, and online healthcare apps. This shift highlights challenges and opportunities, with increased public health awareness and demand for immunity-boosting medicines driving the industry's growth. The pharmaceutical sector, despite

temporary losses, is positioned to rebound as supply chains normalize and API imports resume, supporting a sector that remains crucial for global healthcare.

- **Foreign Trade**

The COVID-19 pandemic has had a major impact on India's foreign trade. The pandemic has caused a sharp decline in both exports and imports, with exports falling by 23.4% and imports declining by 42.4% in April 2020 compared to April 2019.

**Table 1:** India's Merchandise Export And Import From 2018 TO 2023

Year	Merchandise Export (in million)	Merchandise Import (in million)	Export Growth	Import Growth
2017-18	\$ 274,209	\$ 416,865	11.02%	21.04%
2018-19	\$ 298,472	\$ 463,996	8.85%	9.75%
2019-20,	\$ 291,870	\$ 436,028	-1.50%	-6.02%
2020-21	\$ 256,552	\$ 340,801	-12.23%	-23.11%
2021-22	\$ 377,431	\$ 550,562	46.09%	59.34%
2022-23	\$ 409,079	\$ 656,129	8.39%	19.30%

Source: Monthly Bulletin on Foreign Trade Statistics

The table1 shows the merchandise export and import of India from 2017-18 to 2022-23. The COVID-19 pandemic notably impacted trade in 2020-21, with exports declining by 12.23% and imports by 23.11% due to lockdowns. Post-pandemic, trade rebounded significantly in 2021-22, showing a record export growth rate of 46.09% and import growth of 59.34%. In 2022-23, the growth rates moderated to 8.39% for exports and 19.30% for imports, reflecting a continued recovery in India's trade activities.

**Table 2:** India's Service Export And Import From 2018 TO 2023

Year	Service Export (in million\$)	Service Import (in million\$)	Export Growth	Import Growth
2017-18	\$142,219	\$84,789	6.58%	6.03%
2018-19	\$170,232	\$105,183	19.70%	24.05%
2019-20,	\$179,260	\$110,995	7.05%	8.85%
2020-21	\$166,171	\$96,280	-7.51%	-13.14%
2021-22	\$227,475	\$131,624	22.77%	25.05%
2022-23	\$294,965	\$163,875	29.61%	24.47%

Source: Monthly Bulletin on Foreign Trade Statistics

The table2 shows the service export and import of India from 2017-18 to 2022-23. Since 2017-18, India's service exports and imports have shown an upward trend. In 2022-23, service exports are projected to reach \$294,965 million, a 29.61% increase, while imports are expected to reach \$163,875 million, up by 24.47% from the previous year. The growth rates for both exports and imports have fluctuated, with the highest export growth at 19.70% in 2018-19 and the lowest at -7.51% in 2020-21, affected by the COVID-19 pandemic. Import growth peaked in 2021-22 at 25.05% and dipped to -13.14% in 2020-21. The resurgence in service exports is largely attributed to the strong performance of the IT and telecom sectors (Rampal, 2023). Post-pandemic, India's service trade has shown a steady recovery.

India's trade composition has also seen a marked shift. Exports of pharmaceuticals, medical equipment, and chemicals have increased, while traditional exports like textiles, leather, and gems and jewellery have declined. Petroleum products remain the top export, with a peak of 21.78% in 2023. In imports, petroleum is also predominant, rising from 18.79% in 2018 to 22.89% in 2023, while gold and precious stones have seen a decrease. Imports of coal and telecom instruments have fluctuated, with coal rising and telecom instruments declining. This shift reflects India's evolving trade focus and response to global demand changes.

Additionally, India's trade partners have shifted significantly over recent years. In 2019-20, the US, China, and UAE were India's top trading partners, but the pandemic reduced exports from the US and China. This opened doors for increased trade with countries like Bangladesh, Vietnam, and South Korea. However, by 2022-23, the United States emerged as India's largest trading partner, with trade reaching \$128.55 billion, an increase from \$119.5 billion in 2021-22. India enjoys a trade surplus with the US, benefiting its foreign exchange reserves as exports exceed imports.

Overall, the COVID-19 pandemic has profoundly impacted India's foreign trade, prompting shifts in trade partnerships and necessitating strategic government intervention to bolster economic stability. While policy measures have helped mitigate some immediate impacts, the broader effects on the economy remain uncertain. More research is essential to comprehensively assess the pandemic's challenges and devise resilient strategies that support India's long-term trade growth and economic recovery.

#### • **Manufacturing Industry**

Covid-19 put an immediate halt to many business activities across the globe, as several countries had shut down their parts, airports and domestic transportation while imposing nation wide lockdowns, leading to a disturbance in business and civil life. The lockdown in India impacted manufacturing activities across the globe. The enormity of the lockdown affected manufacturing activities and supply chains alike, disrupting the overall economy. The second wave has hit the country the hardest in terms of fatalities. The second wave has led a slowdown in labour intensive industries involving manufacturing, real estate, construction and infrastructure, on account of the reduced labour availability during this period. The Purchasing Managers' Index (PMI), a key indication of current and future business conditions in the manufacturing sector, demonstrate this. The index fell from 51.8 in March to 27.4 in April 2020, lowest in over 15 years. During the lockout, demand fell and supply chain was disrupted in different manufacturing sectors like pharma manufacturing industry, food and beverage manufacturing company, chemical manufacturing company, paint and coating manufacturing company etc.

### **6. Analysis of Policies Announced**

#### **6.1: Policy Package for Informal Sectors**

On March 26, 2020 the Finance Minister announced a Rs 1.7 lakh crore package largely aimed at providing a safety net for those who have been worse affected by the Covid-19 lockdown i.e. the unorganised sector workers, mainly daily wage earners. The "Pradhan Mantri Garib Kalyan Yojana" contains the following components:

- Free additional 5kg wheat or rice per person for 3 months
- Free LPG for Ujjawala beneficiaries for 3 months
- Increase MGNREGA wages to Rs 202 from 182
- Rs 500 per month to 200 million female Jan Dhan Account holders for next 3 months
- Rs 20 lakh collateral -free loans to women self - help groups.
- Govt. to contribute EPF companies with less than 100 workers, chemical manufacturing company, paint and coating manufacturing company etc.

#### **6.2: An Analysis of the Fiscal Announcements**

A major component of the "Fiscal Package" is the MSME loans backed by 100% government guarantee. The government needs to step in to bear some of the credit risk, so that banks can do what they are good at, which is allocating capital.

Implementation of many of the initiatives will require proper targeting of beneficiaries and an efficient delivery mechanism. This in turn would require close coordination between the Central, State and local government.

The economic reforms that were announced are necessary and long awaited, but their benefits will accrue in the long term. They will not do anything to resolve the problems that the economy is facing right now.

### **7. Atmanirbhar Package**

On May 12 2020, the government announced the Aatma Nirbhar Bharat Package (ANBP), a special economic and comprehensive package of Rs 20 lakh crore (equivalent to 10% of India's GDP) to combat the COVID-19 pandemic. Aatma Nirbhar Bharat or Self-Reliant India Movement has five pillars of Aatma Nirbhar Bharat – Economy, Infrastructure, System, Vibrant Demography and Demand. The package includes measures such as collateral-free loans for MSMEs, Rs 3 lakh crore worth of collateral-free automatic loans for businesses, Rs 50,000 crore equity infusion through MSME Fund of Funds, Rs 20,000 crore subordinate debt for stressed MSMEs and Rs 30,000 crore special liquidity scheme for NBFC/HFC/MFIs.

## 8.CONCLUSION

The impact of Covid-19 on India's economy has been profound, with significant effects across various sectors. MSMEs faced severe disruptions and cash flow crises, leading to potential closures, while stock markets initially declined but later stabilized due to government stimulus. Agriculture operated under constraints from supply chain issues and labor shortages, affecting production and income. The aviation sector saw a drastic drop in demand, necessitating urgent government intervention. In contrast, the pharmaceutical industry experienced growth driven by increased demand for healthcare products. The tourism sector faced immense losses, highlighting the need for improved consumer confidence. Financial markets encountered higher defaults but benefited from liquidity support from the Reserve Bank of India. Foreign trade was disrupted by global supply chain challenges, and the railways shifted focus to freight services. Lastly, the manufacturing sector pivoted towards essential goods, underscoring the need for modernization and self-reliance. Overall, the pandemic has exposed systemic vulnerabilities, requiring a robust and adaptive policy response for a sustainable long-term recovery.

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